

# **Legislative Audit Division**

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**State of Montana**



**Report to the Legislature**

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**November 1997**

## **Performance Audit Follow-Up**

### **Water Development and Renewable Resource Development Programs**

**Department of Natural Resources and Conservation**

The original audit report contained 14 recommendations to improve program operations. Recommendations related to:

- **Monitoring public grant and loan programs.**
- **Administering the private loan program.**
- **Improving management controls.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 135, State Capitol  
PO Box 201705  
Helena MT 59620-1705**

## **PERFORMANCE AUDITS**

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, communications, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

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# LEGISLATIVE AUDIT DIVISION

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Jim Pellegrini, Performance Audit  
James Gillett, Financial-Compliance Audit

November 1997

The Legislative Audit Committee  
of the Montana State Legislature:

This is our performance audit of the Water Development and Renewable Resource Development Programs administered by the Department of Natural Resources and Conservation. While some recommendations have not been implemented, we found most are implemented or are being implemented. Summary information from the original report is included as Attachment A.

We wish to express our appreciation to the staff of the department for their cooperation and assistance during our follow-up work.

Respectfully submitted,

"Signature on File"

Scott A. Seacat  
Legislative Auditor

# **Legislative Audit Division**

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## **Performance Audit Follow-up**

### **Water Development and Renewable Resource Development Program**

**Department of Natural Resources and Conservation**

Members of the audit staff involved in this audit were Joe Murray and Mary Zednick.

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## **Appointed and Administrative Officials**

**Department of Natural  
Resources and  
Conservation**

Bud Clinch, Director

**Conservation and Resource  
Development Division**

Ray Beck, Administrator

**Resource Development  
Bureau**

John Tubbs, Chief





# Chapter I - Introduction

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## Introduction

We conducted a follow-up review of the performance audit of the Water Development and Renewable Resource Development Programs. The original report (93P-32) contained recommendations related to monitoring public grant and loan projects, administering the private loan program, and improving management controls over program operations.

Our primary objective for this follow-up was to determine the implementation status of recommendations made in the June 1994 audit report. To meet our objective we performed the following audit steps:

- ▶ Reviewed available policies and procedures.
- ▶ Interviewed program management and staff.
- ▶ Reviewed legislative reports for the public grant and private loan programs.
- ▶ Examined files for the public grant and private loan programs.
- ▶ Reviewed management controls such as position descriptions, performance appraisals, and employee training.

## Follow-up Results

The original audit report included 14 recommendations to improve Water Development and Renewable Resource Development Program operations. As table 1 shows, the department implemented the majority of the recommendations contained in our report.

**Table 1**  
**Recommendation Status**

Implemented	8
Partially/Being Implemented	3
Not Implemented	<u>3</u>
Total	<u>14</u>

**Source: Compiled by the Legislative Audit Division.**

## **Chapter I - Introduction**

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Chapter II discusses the implementation status for each recommendation. The report summary from the original report is also provided in Appendix A. This summary outlines the original issues and audit recommendations.

# Chapter II - Implementation Status

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## Introduction

The following sections provide information on the implementation status of the recommendations made in the original report. The discussion is categorized into each area where recommendations were made. These areas include public grant and loan administration, private loan administration, and management controls.

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## Public Grant and Loan Administration

### **Recommendation #1**

**We recommend the Resource Development Bureau re-evaluate the dollar limits for Renewable Resource Grant and Loan Program grants and recommend changes in the limits, if necessary, to the Long Range Planning Subcommittee.**

**This recommendation is implemented.** During the audit, department policy limited grants to a maximum of \$100,000. If an entity had the ability to borrow money, grant funding was limited to 25 percent of a project's total cost or a maximum of \$50,000. The department re-evaluated these limits and met with the Long Range Planning Subcommittee. Discussions included the possibility of increasing the maximum grant amount to \$300,000 and eliminating the grant limits placed on entities which could borrow money from another source. The committee concluded the \$100,000 grant limit should be maintained but recommended the grant limit placed on entities with the ability to borrow money be eliminated. The department made this change and it went into effect during the 1996 grant cycle.

### **Recommendation #2**

**We recommend in-house proposals for Renewable Resource Grant and Loan Program grants receive director approval before completion and submission of applications to the Resource Development Bureau for evaluation.**

## Chapter II - Implementation Status

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### Implementation Status

**This recommendation is implemented.** The director is notified of in-house (i.e. department) grant requests during department management meetings. The director reviews and approves the requests prior to the Resource Development Bureau evaluating the applications.

### **Recommendation #3**

**We recommend the Resource Development Bureau improve monitoring of projects by:**

- A. Documenting decisions and conversations that affect on-going projects.**
- B. Including the requirement to compare proposed objectives to actual project accomplishments in the final report in the “Suggested Final Report Format” form .**
- C. Formally reviewing and evaluating final reports.**

### Implementation Status

**This recommendation is implemented.** We reviewed 13 files for the Renewable Resource Grant and Loan Program and found project activities are generally documented in the files. Examples of documentation include information which justifies why certain decisions are made, conversations between program officers and project sponsors, phone calls, and visits made to project sites.

The department also changed its process to review final reports submitted by project sponsors for completed projects. The department revised its “Suggested Final Report Format” to require project sponsors to compare actual accomplishments of a project to objectives presented in the project application. All project sponsors are required to follow this format as part of the grant agreement.

The department reviews and evaluates final reports to determine if projects achieved their objectives and accomplished the purpose for which funding was authorized. We identified one example where the department required a project sponsor to resubmit a report

## Chapter II - Implementation Status

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because it did not meet the department's requirements. The department documents reviews of final reports using a final review checklist they developed.

### **Recommendation #4**

**We recommend the Resource Development Bureau include a clause in the:**

- A. Application and bulletin that final reports are available from the bureau and reports or studies are available from the State Documents Depository Program, State Library.**
- B. Grant/loan agreement/contract that at least four copies of the report or study resulting from a funded project with a final product as a report or study be sent to the State Documents Depository Program, State Library.**

### **Implementation Status**

**This recommendation is not implemented.** The department did not concur with part A but concurred with part B. The department indicated final report documents are not publications which must be deposited at the state library. Department officials said publications generated as part of a grant's scope-of-work are deposited at the state library and indicated the contract language would be changed to reflect this. Based on our review of grant contracts, however, the contract language was not changed. We were also unable to verify whether publications which may have been generated as part of a grant's scope-of-work were deposited at the state library. Consequently, the department has not established a mechanism for DNRC to disseminate the information from projects which result in a report or study.

## Chapter II - Implementation Status

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### Private Program Administration

#### **Recommendation #5**

**We recommend the Resource Development Bureau:**

- A. Adopt a formal policy identifying what financial information to collect and use to determine financial status of an applicant.**
- B. Implement written procedures to evaluate loan applications using the financial information gathered.**

#### **Implementation Status**

**This recommendation is implemented.** The department established formal policies and procedures which identify what financial information to collect from private loan applicants and how to evaluate this information. In addition, the program's loan application provides additional guidelines and copies of forms which applicants must submit. We reviewed five private loan files and found applicants submitted the required information. We also found program staff follow the policies and procedures to evaluate this information to determine an applicant's financial status.

#### **Recommendation #6**

**We recommend the Resource Development Bureau:**

- A. Develop policies, procedures, and documentation requirements for the assessment or waiver of late fees.**
- B. Require management approval for dismissal of late fees.**

#### **Implementation Status**

**This recommendation is implemented.** The department developed policies and procedures for the private loan program which include guidelines on when to assess or waive late fees for delinquent loans. We reviewed three files for past due loans and found decisions relating to fee waivers are documented. Documentation includes why the payment was late, when the payment is expected, and how the borrower will obtain funds to make the payment.

## Chapter II - Implementation Status

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We also found late fee waivers are discussed with the department's loan committee. According to department officials, the discussion does not necessarily occur before a decision is made to waive a fee. Instead, the loan officer provides information to the committee regarding late fee waivers. We reviewed meeting minutes for the loan committee and found late fee waivers are discussed. Department officials indicated if the loan committee identifies problems with the officer's decisions to waive late fees the process can be changed to require prior management approval. They said they have not identified problems to date.

### **Recommendation #7**

**We recommend the Resource Development Bureau improve documentation of information leading to decisions concerning loans made under the Private Loan Program.**

### **Implementation Status**

**This recommendation is implemented.** We reviewed five private loan files approved since the completion of the original audit. We found files contain information which document the reason initial loans were made and decisions made while the loans were active. Examples of documentation found in the files include financial information, discussions with borrowers and financial institutions, and agreements between the department and the borrower for payment deferrals. Overall, this documentation provides sufficient information to determine what kinds of loan decisions are being made and the basis for those decisions.

### **Recommendation #8**

**We recommend the Resource Development Bureau improve documentation of project information to help determine if the Private Loan Program is meeting statutory intent.**

### **Implementation Status**

**This recommendation is partially implemented.** According to section 85-1-602, MCA, the main objective of the Renewable Resource Grant and Loan Program is to enhance Montana's

## Chapter II - Implementation Status

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renewable resources through projects that measurably conserve, develop, manage, or preserve resources. We reviewed files for four closed private loans and found the department gets an indication if projects meet statutory intent when loan applications are evaluated. We also noted the loan officer visits projects during construction to ensure loan funds are utilized as intended. However, we did not find documentation which indicated reviews are done when a project is completed. Department officials said the loan officer does not visit all completed projects. They indicated the officer normally visits completed projects if in the area on other business and generally these visits are not documented.

### **Recommendation #9**

**We recommend the Resource Development Bureau establish:**

- A. A loan committee to review the approval or denial recommendations for private loans.**
- B. Procedures for the program officer and bureau management to meet on a regularly scheduled basis to discuss loans which have overdue payments.**

### **Implementation Status**

**This recommendation is implemented.** The department created a loan committee which reviews and discusses information regarding loan applications. The committee consists of the loan officer, a representative from the director's office, the Conservation and Resource Development Division Administrator, and the Resource Development Bureau Chief. The committee provides oversight over decisions regarding private loan activity. This includes approval or denial of loan requests, loan security, past due loans, payment deferrals, waiver of late fees, debt restructuring, and bankruptcies. The committee meets "as needed" because the department's loan activity does not warrant regularly scheduled meetings. The loan committee has improved the communication between the loan officer and department management.



## Chapter II - Implementation Status

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### **Recommendation #10**

**We recommend the Resource Development Bureau develop:**

- A. Develop clear, concise, measurable goals which relate to the purpose and mission of the Renewable Resource Grant and Loan program.**
- B. Develop for each goal clearly identified objectives which relate to the assessment and function of the goal and relates to results or outcomes.**

### **Implementation Status**

**This recommendation is implemented.** Each legislative session the department provides the legislature with a status report for projects it funded during previous legislative sessions. After our audit was completed, the department expanded this information to include a detailed mission statement and goals and objectives which detail the program's function and purpose.

### **Recommendation #11**

**We recommend the Resource Development Bureau establish formal written policies and procedures.**

### **Implementation Status**

**This recommendation is not implemented.** The department has some policies and procedures in place for the Water Development and Renewable Resource Development Program. As noted in our original audit however, the number of formal policies the department has in place are limited. We did not find evidence that policies and procedures were formalized for most of the program's operations. Program staff told us they still believe policies and procedures would be beneficial to ensure consistency in performing their jobs. For example, staff indicated they would like policies related to file documentation, including when communications with project sponsors are significant enough to be documented.

## Chapter II - Implementation Status

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### **Recommendation #12**

**We recommend the Resource Development Bureau rewrite staff position descriptions to ensure duties, responsibilities, and expectations of each position are current and accurate.**

### **Implementation Status**

**This recommendation is being implemented.** Position descriptions are updated for five of the bureau's seven employees. The department is in the process of updating position descriptions for the other two employees.

### **Recommendation #13**

**We recommend the Resource Development Bureau implement annual performance appraisals for staff in compliance with state law and department policy.**

### **Implementation Status**

**This recommendation is being implemented.** Department officials indicated they have not completed employee performance appraisals because the department does not have a performance appraisal policy in place. The department wants a policy in place to ensure performance appraisals are done in a consistent manner. A draft policy has been developed and is currently being reviewed by department management. Once finalized, the department will begin evaluating program staff.

### **Recommendation #14**

**We recommend the Resource Development Bureau follow established department policy concerning training of staff by:**

- A. Establishing training plans for staff.**
- B. Evaluating training received to determine if it meets the needs of the employee and the program.**

## **Chapter II - Implementation Status**

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### Implementation Status

**This recommendation is not implemented.** The department did not concur with this recommendation and did not take action to implement it. The department has not been proactive by establishing training plans or determining if training which has been provided to employees met their needs. The department continues to provide training to employees as funding allows.



## **Agency Response**



DEPARTMENT OF NATURAL RESOURCES  
AND CONSERVATION



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October 1, 1997

Jim Pellegrini, Deputy  
Performance Audit  
Legislative Audit Division  
Room 135  
State Capital building

Re: Response to November 1997 Audit Report

Dear Mr. Pellegrini:

The department has reviewed the November 1997 Performance Audit Follow-Up for the Water Development and Renewable Resource Development Programs. We concur with the audit findings and are pleased that with few exceptions all recommendations have been implemented. A response for each recommendation follows.

Recommendation: 1, Page 3.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 2, Page 3.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 3, Page 4.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 4, Page 5.

Implementation status: *Not Implemented.*

Response: These recommendations have now been fully implemented. At the time of the follow-up audit, the procedures recommended were being implemented. Final reports were available upon request and publications were being distributed to the State Library. However, the auditor is correct in stating that no contract language had been developed that specifically required that copies of publications be provided to the State Library.

The department has recently taken steps to insure that copies of publications funded by renewable resource grants will be made available to the state library. The Resource Development Bureau has instituted a policy that all contracts for projects conducting studies include a clause requiring production of 15 copies of the final publication. Officials at the state library have requested 12 copies of all publications resulting from natural resource investigations. One copy will remain in the project file, and two copies will be reserved for the department's library.

Recommendation: 5, Page 6.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 6, Page 6.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 7, Page 7.

Implementation status: *Implemented.*

Response: The Department concurs.



Recommendation: 8, Page 7.

Implementation status: *Partially Implemented.*

Response: The Department reviews all loan applications and ensures that the projects that are funded meet statutory intent. Any projects that do not meet statutory intent are denied funding. Also, as indicated in the report, the Department does conduct a site review during the construction of each project. Subsequent to approval of the project, the loan officer visits each project to ensure that the project is being constructed as described in the application and loan documents. In addition to site visits, the loan officer has the opportunity to review receipts for the purchase of equipment and materials prior to disbursing funds. This again provides a check to insure that the project described in the loan agreement is being constructed. Finally, the loan officer does visit project sites after completion, when the visits coincide with other field work. In the future, these visits will be documented more thoroughly.

Recommendation: 9, Page 8.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 10, Page 9.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 11, Page 9.

Implementation status: *Not Implemented.*

Response: The department relies primarily on legislative actions and statute to guide many of the decisions. To date there have been a limited number of formal policies adopted. From an in-office, administrative process perspective, the bureau is working on developing guidelines for employees to follow. We will continue in this regard.

Recommendation: 12, Page 10.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 13, Page 10.

Implementation status: *Implemented.*

Response: The Department concurs.

Recommendation: 14, Page 10.

Implementation status: *Not Implemented.*

Response: The Department is revising its performance appraisal policy to start discussing employee career management and needed training during the performance appraisal process. We will continue to provide for this training as funding allows.

Sincerely,

A handwritten signature in black ink, appearing to read "Bud Clinch", written in a cursive style.

Bud Clinch  
Director

cc: Ray Beck  
John Tubbs

## **Appendix A**

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# 1994 Audit Report Summary

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## Introduction

Prior to the 1993 Legislative Session, the Legislative Audit Committee requested a performance audit of the Water Development Program, administered by the Resource Development Bureau, Department of Natural Resources and Conservation (DNRC). During the 1993 session, the legislature combined the Water Development Program and the Renewable Resource Development Program into the Renewable Resource Grant and Loan Program. Due to the change in programs, we reviewed both the Water Development and Renewable Resource Development Programs during this performance audit.

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## Program Description

The Water Development (WD) Program was established by the legislature in 1981 to promote and advance the beneficial use of water. Private and public/governmental entities were eligible to apply for loans and grants. Public entities could apply for grants for up to \$100,000, small loans (up to \$200,000), or large loans (over \$200,000). Entities could apply for both a loan and a grant.

The Renewable Resource Development (RRD) Program was established by the legislature in 1975 to develop renewable natural resources. Only public/governmental entities were eligible to apply for loans and grants under this program. Loans could be issued for up to \$200,000 and grants up to \$100,000. An entity could apply for both a loan and a grant. A water-related RRD project could also be evaluated under the WD Program, but a grant or loan would only be awarded under one program or the other, not both.

Types of projects funded under the programs included:

- Streambank stabilization.
- Reforestation of state land.
- Planning, improvements, and construction of water and sewer systems.
- Technical assistance and training for rural water system owners and operators.

Studies were also funded under the two programs. Funded studies included monitoring agriculture chemicals in groundwater, hydro-geologic evaluations, and movement of nitrates into groundwater.

## **1994 Audit Report Summary**

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The objectives of the Renewable Resource Grant and Loan (RRG&L) Program are to ". . . enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources" (section 85-1-602(1), MCA). Developments made by the program may not significantly diminish the quality of existing public resources, such as land, air, fish, wildlife, and recreation opportunities. Private applicants continue to be eligible for grants and loans for water-related projects under the RRG&L Program. Public/government entities are also still eligible for funding under the new program. Grants can be made up to \$100,000 and loans can be made for up to \$200,000 (small loans), or more than \$200,000 (large loans).

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### **Program Accomplishments**

For fiscal years 1984-85 through 1994-95, 282 public projects were appropriated \$23,076,005 in grant funding. From fiscal year 1984-85 through April 18, 1994, 175 projects contracted for \$10,544,660 of public grants. An additional 24 projects had not yet contracted with DNRC for the grant money appropriated them by the legislature. Eleven emergency grant projects contracted for \$191,281 from fiscal year 1988-89 through April 18, 1994. From fiscal year 1981-82 through 1992-93, \$6,576,682 was issued for 97 private loans.

The process established for reviewing public applications has improved since the program first started. The review of applications for projects submitted to the 1993 Legislature was well documented and organized. The people who evaluated the applications indicated they were given enough information for the evaluation and the information was appropriate. We also found the process used when ranking public projects reduces project scoring inconsistencies.

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### **Public Grants and Loans**

One of the objectives of this audit was to determine if the application review process for public grants and loans ranks projects based upon established criteria. The following sections discuss the audit work completed and our findings.

## 1994 Audit Report Summary

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### **Review Questions Should Match the Application**

During the audit we compared the loan/grant application form to the questions reviewers use to evaluate public projects. We found not all questions used by reviewers (such as requirements for long term funding, future funding sources for long term projects, or coordination of planning with other agencies) were in the application. The department has subsequently changed the application form to include all the questions reviewers consider when evaluating applications.

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### **Basis for Grant Funding Recommendations Needed**

Resource Development Bureau staff indicated they do not analyze an applicant's debt structure when determining the amount to recommend for a grant; they follow the \$50,000 or \$100,000 limits established by policy when the programs were created in 1981. For example, two towns with essentially the same type of project were both recommended for grants of \$50,000. The project cost to the first town was about six times greater than the second town's cost. Although the first town could not afford to finance as large a loan (thus a need for more grant funding) as the second town, the grant amounts recommended were the same for both towns. The limits are based upon past DNRC recommendations and Long Range Planning Subcommittee actions. (The subcommittee makes recommendations to the legislature as to which projects to fund and the amount of funding each project should receive.) We recommend the Resource Development Bureau reevaluate the dollar limits for Renewable Resource Grant and Loan Program grants and recommend changes in the limits, if necessary, to the Long Range Planning Subcommittee.

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### **Director Approval Needed for In-house Applications**

The director of DNRC can delete projects or change the recommended funding and ranking for projects. We found projects proposed by other bureaus in DNRC were deleted by the director. However, Resource Development Bureau staff time was used to evaluate and rank projects before the director was aware the projects were proposed. We recommend in-house proposals for Renewable Resource Grant and Loan Program grants receive director approval before completion and submission of applications to the Resource Development Bureau for evaluation.

## 1994 Audit Report Summary

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### Monitoring of Public Grant and Loan Projects

Another audit objective was to determine if public projects are monitored and if the monitoring is sufficient to ensure projects meet desired objectives. The following sections describe our findings.

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### Limited Documentation in Files

We reviewed files to confirm information provided by bureau staff concerning monitoring of public projects. We identified three areas where monitoring could be improved: 1) documenting contacts with project sponsors including visits to funded projects, 2) comparing initial objectives with actual project accomplishments in final reports submitted by project sponsors, and 3) documenting staff review of final project reports to evaluate the accomplishments or success of projects and the program. We recommend the Resource Development Bureau improve monitoring of projects by: 1) documenting decisions and conversations that affect on-going projects, 2) including the requirement to compare proposed objectives to actual project accomplishments in the final report, and 3) formally reviewing and evaluating final reports.

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### Distributing Final Reports for Public Use

We reviewed bureau procedures for distributing final reports for public use. We found the bureau has not established a mechanism for DNRC to disseminate the information from projects which result in a report or study. Under the state depository law, each state agency must deposit at least four copies of each of its state publications with the State Library. We recommend the bureau inform potential applicants that final reports are available from the bureau and reports or studies are available from the State Documents Depository Program, State Library. Grant/loan recipients should send four copies of a report or study to the State Documents Repository Program.

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### Private Loan Program Administration

Our objective for reviewing the Private Loan Program was to determine whether completed projects meet desired objectives. Our findings are discussed below.



## 1994 Audit Report Summary

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### **Not all Financial Information Used**

We found Private Loan Program staff do not use all the required or useful financial information when determining the financial status of an applicant. Staff gather information that is not used, and do not gather some information that could be useful. We recommend the bureau adopt a formal policy identifying what financial information to collect and use to determine financial status of an applicant, and implement written procedures to evaluate loan applications using the financial information gathered.

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### **Visits to Projects are not Documented**

We reviewed files of 15 private projects issued loans and found no documentation of bureau visits to determine the status of projects. However, there were travel expense vouchers indicating trips were made to the area of the project. Procedures were changed so bureau staff are now documenting the results of on-site visits to projects funded with Private Loan Program funds.

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### **Documentation of Reasons for Dismissing Late Fees Needed**

The reasoning for dismissal of late fees on loan payments is not documented. Some late fees were dismissed but there was no information in files to indicate why the fee was dismissed. There was no indication in the file that management approved the dismissal of any fees. We recommend the bureau develop policies, procedures, and documentation requirements for the assessment or waiver of late fees, including management approval of the dismissal.

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### **Loans are not Monitored After Issuance**

Our file review showed bureau staff do not monitor loans, or follow up on the financial position of the applicant, after the loan is made. The bureau does not need to obtain annual financial statements from every borrower, but should monitor those borrowers who are not able to make timely payments. The bureau has subsequently changed the boilerplate language for the Private Loan Repayment Agreement to indicate a borrower delinquent in payments in excess of 30 days may be required to submit annual financial statements to the department for three years.

## 1994 Audit Report Summary

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### Documentation of Loan Information and Review of Project Success Needed

File review also showed limited documentation of telephone conversations with applicants or their credit references. We also found staff do not determine if completed projects meet the purpose as specified by law which is to measurably conserve, manage, develop, and conserve Montana's natural resources. We recommend the bureau improve documentation of information leading to decisions concerning private loans and the bureau should collect information to help determine if the program is meeting statutory intent.

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### Program Officer Authority

A majority of the authority to make decisions pertaining to the Private Loan Program is concentrated in one person. Little or no supporting documentation is presented with the person's recommendation to management to approve a loan. No one reviews the decision to deny a loan. The program officer does provide management with periodic reports indicating the status of problem loans (those borrowers who are having difficulties making timely payments). However, the reports are not issued at established time frames. We recommend the bureau establish a loan committee to review approval or denial recommendations for private loans, and establish procedures for the program officer and bureau management to meet on a scheduled basis to discuss loans.

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### Coordination of Programs

We compared the Treasure State Endowment Program (TSEP) to the WD and RRD Programs for similarities or overlap in programs. The TSEP was created in 1992 to help local governments fund infrastructure problems. Water, sewer, and solid waste projects were eligible for funding under all the programs. During the 1993 session, staff from DNRC and the Department of Commerce (which administers TSEP) coordinated with each other when eight sponsors of projects applied for both TSEP and WD and RRD funds. The directors of the Department of Natural Resources and Conservation and Department of Commerce are coordinating activities in areas common to both programs.

## **1994 Audit Report Summary**

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### **Management Controls**

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We interviewed bureau staff and reviewed personnel files to determine if selected management controls related to staffing, training, and performance appraisals were in place and effective. We found five areas where controls could be improved: 1) goals and objectives should be written which provide a direction for action, 2) formal policies and procedures should be created, 3) position descriptions should be updated, 4) annual performance appraisals as required by state law should be completed, and 5) organized training programs should be established. We recommend the bureau improve management controls by implementing the above controls.